

BY MAILER  
 600 W. RIVERSIDE  
 SUITE 1030  
 SPOKANE, WA 99201

ORIGINAL

THE HONORABLE EDWARD F. SHEA

James L. Robart, WSBA #5333  
 Christian N. Oldham, WSBA #14481  
 LANE POWELL SPEARS LUBERSKY LLP  
 1420 Fifth Avenue, Suite 4100  
 Seattle, WA 98101-2339  
 Tel: (206) 223-7000  
 Fax: (206) 223-7107

FILED IN THE  
 U.S. DISTRICT COURT  
 EASTERN DISTRICT OF WASHINGTON

DEC 13 2001

JAMES R. LARSEN, CLERK  
 DEPUTY  
 SPOKANE, WASHINGTON

UNITED STATES DISTRICT COURT  
 EASTERN DISTRICT OF WASHINGTON  
 AT SPOKANE

U.S. BANK TRUST NATIONAL  
 ASSOCIATION, in its capacity as  
 Indenture Trustee on behalf of Holders of  
 Spokane Downtown foundation Parking  
 Revenue Bonds, 1998 (River Park Square  
 Project),

Plaintiff,

v.

PRUDENTIAL SECURITIES  
 INCORPORATED, a Delaware  
 corporation; WALKER PARKING  
 CONSULTANTS/ENGINEERS, INC., a  
 Michigan corporation; FOSTER PEPPER  
 & SHEFELMAN PLLC, a Washington  
 professional limited liability company;  
 SPOKANE DOWNTOWN  
 FOUNDATION, a Washington  
 corporation; PRESTON GATES &  
 ELLIS LLP, a Washington limited  
 liability partnership; CITIZENS  
 REALTY COMPANY, a Washington  
 corporation; LINCOLN INVESTMENT  
 COMPANY OF SPOKANE, a  
 Washington corporation; RPS MALL,  
 L.L.C., a Washington limited liability  
 company; RPS II, L.L.C., a Washington  
 limited liability company; RWR  
 MANAGEMENT, INC., a Washington  
 corporation, d/b/a R.W. ROBIDEAUX  
 and COMPANY; CITY OF SPOKANE,

No. CS-01-0127-EFS  
 Consolidated with  
 No. CS-01-0128-EFS

ANSWER OF PRUDENTIAL  
 SECURITIES INCORPORATED  
 TO U.S. BANK TRUST  
 NATIONAL ASSOCIATION'S  
 COMPLAINT

ANSWER OF PRUDENTIAL SECURITIES  
 INCORPORATED TO U.S. BANK TRUST  
 NATIONAL ASSOCIATION'S COMPLAINT - 1

LANE POWELL SPEARS LUBERSKY LLP  
 SUITE 4100  
 1420 FIFTH AVENUE  
 SEATTLE, WA 98101

1 WASHINGTON, a first-class charter city )  
2 of the State of Washington; SPOKANE  
3 PUBLIC PARKING DEVELOPMENT  
4 AUTHORITY, an unregistered  
5 Washington corporation doing business  
6 as RIVER PARK SQUARE PARKING,  
7

Defendants.

8  
9 COMES NOW defendant Prudential Securities Incorporated ("Prudential"), by  
10 and through its undersigned attorneys, and in response to the Complaint of U.S. Bank  
11 Trust National Association, hereby states and alleges as follows:

12 **ANSWER**

13 1. Prudential admits that this Court has jurisdiction over this proceeding.  
14 Except as expressly admitted hereinabove, Prudential denies the remaining allegations  
15 of paragraph 1 of the Complaint.

16 2. Prudential admits that venue is proper in this Court. Except as expressly  
17 admitted hereinabove, Prudential denies the remaining allegations of paragraph 2 of  
18 the Complaint.

19 3. Prudential admits the allegations of paragraph 3 of the Complaint.

20 4. Prudential admits that the Bondholders purchased the Bonds. Prudential  
21 further admits that a document was attached to the Official Statement as Exhibit B.  
22 Prudential denies that it drafted the Official Statement. Except as expressly admitted  
23 hereinabove, Prudential is without knowledge or information sufficient to form a  
24  
25  
26

ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 2

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101

1 belief as to the truth of the remaining allegations of Paragraph 4 of the Complaint, and  
2 therefore, denies the same.

3 5. Prudential admits the allegations in the first two sentences of paragraph 5  
4 of the Complaint. Except as expressly admitted hereinabove, Prudential is without  
5 knowledge or information sufficient to form a belief as to the truth of the remaining  
6 allegations of paragraph 4 of the Complaint, and therefore, denies the same.  
7

8 6. Prudential denies the allegations of paragraph 6 of the Complaint.

9 7. Prudential denies the allegations of paragraph 7 of the Complaint. To the  
10 extent such allegations are directed towards the City, Prudential is without knowledge  
11 or information sufficient to form a belief as to the truth of the allegations of paragraph  
12 7 of the Complaint, and therefore, denies the same.  
13

14 8. Prudential is without knowledge or information sufficient to form a belief  
15 as to the truth of the allegations of paragraph 8 of the Complaint, and therefore, denies  
16 the same.

17 9. Prudential admits the allegations in the first two sentences of paragraph 9  
18 of the Complaint. The allegations of the third sentence of paragraph 9 call for legal  
19 conclusions to which no response is required. To the extent any such response is  
20 required, Prudential denies the allegations. Prudential further admits the allegations in  
21 the fourth and fifth sentences of paragraph 9 of the Complaint. Prudential denies the  
22 remaining allegations of paragraph 9 of the Complaint.  
23  
24  
25  
26

1 10. Prudential is without knowledge or information sufficient to form a belief  
2 as to the truth of the allegations of paragraph 10 of the Complaint, and therefore,  
3 denies the same.

4 11. Prudential is without knowledge or information sufficient to form a belief  
5 as to the truth of the allegations of paragraph 11 of the Complaint, and therefore,  
6 denies the same.

7 12. Prudential is without knowledge or information sufficient to form a belief  
8 as to the truth of the allegations in the first four sentences of paragraph 12 of the  
9 Complaint, and therefore, denies the same. Prudential denies the remaining  
10 allegations of paragraph 12 of the Complaint.

11 13. Answering paragraph 13 of the Complaint, Prudential admits that it  
12 retained the Foster law firm to assist it in the underwriting of the Bonds. Prudential is  
13 without knowledge or information sufficient to form a belief as to the truth of the  
14 allegations in first sentence of paragraph 13 of the Complaint, and therefore, denies  
15 the same. Sentence three of paragraph 13 calls for legal conclusions to which no  
16 response is required. Except as expressly admitted hereinabove, Prudential denies the  
17 remaining allegations of paragraph 13 of the Complaint.

18 14. The allegations in paragraph 14 of the Complaint call for legal  
19 conclusions to which no response is required. To the extent any such response is  
20 required, however, Prudential denies the allegations of paragraph 14 of the Complaint.

21 15. The allegations of paragraph 15 of the Complaint call for legal  
22 conclusions to which no response is required. To the extent any such response is  
23 required, however, Prudential denies the allegations of paragraph 15 of the Complaint.

1 required, however, Prudential is without knowledge or information sufficient to form  
2 a belief as to the truth of the allegations of paragraph 15 of the Complaint, and  
3 therefore, denies the same.

4 16. Prudential admits that the Foster law firm issued an opinion dated  
5 September 24, 1998, in connection with the issuance of the Bonds. Prudential denies  
6 that the Bonds could not and would not have been issued without the Foster Opinion.  
7 Prudential neither admits nor denies the allegations with respect to the substance of  
8 the Foster Opinion as that document speaks for itself. Prudential denies the remaining  
9 allegations of paragraph 16 of the Complaint.  
10

11 17. Prudential is without knowledge or information sufficient to form a belief  
12 as to the truth of the allegations of paragraph 17 of the Complaint, and therefore,  
13 denies the same.  
14

15 18. Prudential admits that the Preston law firm issued a bond opinion to it  
16 and the Foundation. Prudential is without knowledge or information sufficient to  
17 form a belief as to the truth of the remaining allegations of paragraph 18 of the  
18 Complaint, and therefore, denies the same.  
19

20 19. The allegations in the first two sentences of paragraph 19 of the  
21 Complaint call for a legal conclusion to which no response is required. To the extent  
22 any such response is required, however, Prudential denies the allegations in those  
23 sentences. Prudential is without knowledge or information sufficient to form a belief  
24 as to the truth of the remaining allegations of paragraph 19 of the Complaint.  
25  
26

ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 5

021409.0154/828316.1

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101  
(206) 221-7000

1           20. The allegations of paragraph 20 of the Complaint call for a legal  
2 conclusion to which no response is required. To the extent any such response is  
3 required, however, Prudential denies the allegations of paragraph 20 of the Complaint.

4           21. Prudential is without knowledge or information sufficient to form a belief  
5 as to the truth of the allegations of paragraph 21 of the Complaint, and therefore,  
6 denies the same.

7           22. Prudential neither admits nor denies the allegations with respect to the  
8 opinion by the Preston law firm as that document speaks for itself. Prudential denies  
9 the remaining allegations of paragraph 22 of the Complaint.

10           23. Prudential is without knowledge or information sufficient to form a belief  
11 as to the truth of the allegations of paragraph 23 of the Complaint, and therefore,  
12 denies the same.

13           24. Prudential is without knowledge or information sufficient to form a belief  
14 as to the truth of the allegations of paragraph 24 of the Complaint, and therefore,  
15 denies the same.

16           25. Prudential is without knowledge or information sufficient to form a belief  
17 as to the truth of the allegations of paragraph 25 of the Complaint, and therefore,  
18 denies the same.

19           26. Prudential is without knowledge or information sufficient to form a belief  
20 as to the truth of the allegations of paragraph 26 of the Complaint, and therefore,  
21 denies the same.

1           27. Prudential is without knowledge or information sufficient to form a belief  
2 as to the truth of the allegations of paragraph 27 of the Complaint, and therefore,  
3 denies the same.

4           28. Prudential is without knowledge or information sufficient to form a belief  
5 as to the truth of the allegations of paragraph 28 of the Complaint, and therefore,  
6 denies the same.

7           29. Prudential is without knowledge or information sufficient to form a belief  
8 as to the truth of the allegations of paragraph 29 of the Complaint, and therefore,  
9 denies the same.

10           30. Prudential is without knowledge or information sufficient to form a belief  
11 as to the truth of the allegations of paragraph 30 of the Complaint, and therefore,  
12 denies the same.

13           31. Prudential admits the first sentence of paragraph 31 of the Complaint.  
14 Prudential is without knowledge or information sufficient to form a belief as to the  
15 truth of the remaining allegations of paragraph 31 of the Complaint, and therefore,  
16 denies the same.

17           32. Prudential is without knowledge or information sufficient to form a belief  
18 as to the truth of the allegations of paragraph 32 of the Complaint, and therefore,  
19 denies the same.

20           33. Prudential is without knowledge or information sufficient to form a belief  
21 as to the truth of the allegations of paragraph 33 of the Complaint, and therefore,  
22 denies the same.

23  
24  
25  
26  
ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 7

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101

1 34. Prudential denies the allegations of paragraph 34 of the Complaint.

2 35. Prudential denies the allegations of paragraph 35 of the Complaint.

3 36. Prudential denies the allegations of paragraph 36 of the Complaint.

4 37. Prudential is without knowledge or information sufficient to form a belief  
5 as to the truth of the allegations of paragraph 37 of the Complaint, and therefore,  
6 denies the same.  
7

8 38. Prudential is without knowledge or information sufficient to form a belief  
9 as to the truth of the allegations of paragraph 38 of the Complaint, and therefore,  
10 denies the same.

11 39. Prudential is without knowledge or information sufficient to form a belief  
12 as to the truth of the allegations of paragraph 39 of the Complaint, and therefore,  
13 denies the same.  
14

15 40. Prudential is without knowledge or information sufficient to form a belief  
16 as to the truth of the allegations of paragraph 40 of the Complaint, and therefore,  
17 denies the same.

18 41. Prudential denies the allegations of paragraph 41 of the Complaint.

19 42. Prudential is without knowledge or information sufficient to form a belief  
20 as to the truth of the allegations of paragraph 42 of the Complaint, and therefore,  
21 denies the same.  
22

23 43. Prudential denies ever having entered into a formal engagement letter  
24 with the Foundation to serve as underwriter for any bonds issued by the Foundation.  
25 Prudential is without knowledge or information sufficient to form a belief as to the  
26

ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 8

021409.0154/828316.1

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101



1 truth of the remaining allegations in paragraph 43 of the Complaint, and therefore,  
2 denies the same.

3 44. Prudential denies the allegations of paragraph 44 of the Complaint.

4 45. Prudential admits that the City passed a resolution which authorized the  
5 development of a garage proposal. Prudential neither admits nor denies the  
6 allegations with respect to the substance of the resolution as it speaks for itself.  
7 Prudential denies the remaining allegations of paragraph 45 of the Complaint.  
8

9 46. Prudential is without knowledge or information sufficient to form a belief  
10 as to the truth of the allegations in paragraph 46 of the Complaint, and therefore,  
11 denies the same.

12 47. Prudential is without knowledge or information sufficient to form a belief  
13 as to the truth of the allegations in the first two sentences of paragraph 46 of the  
14 Complaint, and therefore, denies the same. Prudential denies the remaining  
15 allegations of paragraph 46 of the Complaint.  
16

17 48. Prudential is without knowledge or information sufficient to form a belief  
18 as to the truth of the allegations in the first sentence, including subparts, of  
19 paragraph 48 of the Complaint, and therefore, denies the same. Prudential denies the  
20 remaining allegations of paragraph 48 of the Complaint.  
21

22 49. Prudential denies the allegations in paragraph 49 of the Complaint.

23 50. Prudential denies the allegations in paragraph 50 of the Complaint.

24 51. Prudential denies the allegations in paragraph 51 of the Complaint.

25 52. Prudential denies the allegations in paragraph 52 of the Complaint.  
26

1 53. Prudential denies the allegations in paragraph 53 of the Complaint.

2 54. Prudential denies the allegations in paragraph 54 of the Complaint.

3 55. Prudential denies the allegations in paragraph 55 of the Complaint.

4 56. Prudential denies the allegations in paragraph 56 of the Complaint.

5 57. Prudential is without knowledge or information sufficient to form a belief  
6 as to the truth of the allegations of paragraph 57 of the Complaint, and therefore,  
7 denies the same.  
8

9 58. Prudential neither admits nor denies the allegations with respect to the  
10 substance of the Auble and Barrett Reports as those documents speak for themselves.  
11 Prudential denies the remaining allegations of paragraph 58 of the Complaint.  
12

13 59. Prudential neither admits nor denies the allegations with respect to the  
14 Barrett Report as that document speaks for itself. Prudential denies the remaining  
15 allegations of paragraph 59 of the Complaint.

16 60. Prudential neither admits nor denies the allegations with respect to the  
17 Auble Report as that document speaks for itself. Prudential denies the remaining  
18 allegations of paragraph 60 of the Complaint.  
19

20 61. Prudential neither admits nor denies the allegations with respect to the  
21 Auble Report as that document speaks for itself. Prudential denies the remaining  
22 allegations of paragraph 61 of the Complaint.

23 62. Prudential neither admits nor denies the allegations with respect to the  
24 Auble Report as that document speaks for itself. Prudential denies the remaining  
25 allegations of paragraph 62 of the Complaint.  
26

ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 10

021409.0154/828316.1

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101

1           63. Prudential neither admits nor denies the allegations with respect to the  
2 Barrett Report as that document speaks for itself. Prudential denies the remaining  
3 allegations of paragraph 63 of the Complaint.

4           64. Prudential denies the allegations of paragraph 64 of the Complaint.

5           65. Prudential denies the allegations of paragraph 65 of the Complaint.

6           66. Prudential is without knowledge or information sufficient to form a belief  
7 as to the truth of the allegations of paragraph 66 of the Complaint, and therefore,  
8 denies the same.

9           67. Prudential neither admits nor denies the allegations with respect to the  
10 substance of the Sabey Garage Report as that document speaks for itself. Prudential is  
11 without knowledge or information sufficient to form a belief as to the truth of the  
12 remaining allegations of paragraph 67 of the Complaint, and therefore, denies the  
13 same.

14           68. Prudential denies the allegations of paragraph 68 of the Complaint.

15           69. Prudential neither admits nor denies the allegations with respect to the  
16 substance of the Sabey Garage Report as that document speaks for itself. Prudential  
17 denies the remaining allegations, including subparts, of paragraph 69 of the  
18 Complaint.

19           70. Prudential denies the allegations of paragraph 70 of the Complaint.

20           71. Prudential is without knowledge or information sufficient to form a belief  
21 as to the truth of the allegations of paragraph 71 of the Complaint, and therefore,  
22 denies the same.

23  
24  
25  
26  
ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 11

021409.0154/828316.1

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101  
(206) 461-7400

1           72. Prudential neither admits nor denies the allegations with respect to the  
2 substance of Coopers & Lybrand's Summary of Conclusions as that document speaks  
3 for itself. Prudential denies the remaining allegations of paragraph 72 of the  
4 Complaint.

5           73. Prudential neither admits nor denies the allegations with respect to the  
6 Coopers & Lybrand Report as that document speaks for itself. Prudential denies the  
7 remaining allegations, including subparts, of paragraph 73 of the Complaint.

8           74. Prudential neither admits nor denies the allegations with respect to the  
9 substance of the Coopers & Lybrand Report as that document speaks for itself.  
10 Prudential is without knowledge or information sufficient to form a belief as to the  
11 truth of the remaining allegations of paragraph 74 of the Complaint, and therefore,  
12 denies the same.  
13

14           75. Prudential is without knowledge or information sufficient to form a belief  
15 as to the truth of the allegations of paragraph 75 of the Complaint, and therefore,  
16 denies the same.  
17

18           76. Prudential is without knowledge or information sufficient to form a belief  
19 as to the truth of the allegations of paragraph 76 of the Complaint, and therefore,  
20 denies the same.  
21

22           77. Prudential is without knowledge or information sufficient to form a belief  
23 as to the truth of the allegations of paragraph 77 of the Complaint, and therefore,  
24 denies the same.  
25

1 78. Prudential is without knowledge or information sufficient to form a belief  
2 as to the truth of the allegations of paragraph 78 of the Complaint, and therefore,  
3 denies the same.

4 79. Prudential neither admits nor denies the allegations with respect to the  
5 substance of the Coopers & Lybrand Report as that document speaks for itself.  
6 Prudential is without knowledge or information sufficient to form a belief as to the  
7 truth of the remaining allegations of paragraph 79 of the Complaint, and therefore,  
8 denies the same.  
9

10 80. Prudential neither admits nor denies the allegations with respect to the  
11 substance of the Coopers & Lybrand Report as that document speaks for itself.  
12 Prudential is without knowledge or information sufficient to form a belief as to the  
13 truth of the remaining allegations, including subparts, of paragraph 80 of the  
14 Complaint, and therefore, denies the same.  
15

16 81. Prudential denies the allegations of paragraph 81 of the Complaint.

17 82. Prudential denies the allegations of paragraph 82 of the Complaint.

18 83. The allegations of paragraph 83 of the Complaint call for a legal  
19 conclusion to which no response is required. To the extent that any such response is  
20 required, Prudential denies the allegations.  
21

22 84. Prudential denies the allegations of paragraph 84 of the Complaint.

23 85. Prudential denies the allegations of paragraph 85 of the Complaint.  
24  
25  
26

1 86. Prudential neither admits nor denies the allegations with respect to the  
2 substance of the Official Statement as those documents speak for themselves.  
3 Prudential denies the remaining allegations of paragraph 86 of the Complaint.

4 87. Prudential neither admits nor denies the allegations with respect to the  
5 substance of the Official Statement as those documents speak for themselves.  
6 Prudential denies the remaining allegations of paragraph 87 of the Complaint.

7 88. Prudential neither admits nor denies the allegations with respect to the  
8 substance of the Official Statement as those documents speak for themselves.  
9 Prudential denies the remaining allegations of paragraph 88 of the Complaint.

10 89. Prudential neither admits nor denies the allegations with respect to the  
11 substance of the Official Statement as those documents speak for themselves.  
12 Prudential denies the remaining allegations of paragraph 89 of the Complaint.

13 90. Prudential neither admits nor denies the allegations with respect to the  
14 substance of the Official Statement as those documents speak for themselves.  
15 Prudential denies the remaining allegations of paragraph 90 of the Complaint.

16 91. Prudential neither admits nor denies the allegations with respect to the  
17 substance of the Official Statement as those documents speak for themselves.  
18 Prudential denies the remaining allegations of paragraph 91 of the Complaint.

19 92. Prudential neither admits nor denies the allegations with respect to the  
20 substance of the Official Statement as those documents speak for themselves.  
21 Prudential denies the remaining allegations of paragraph 92 of the Complaint.

1 93. Prudential neither admits nor denies the allegations with respect to the  
2 substance of the Official Statement as those documents speak for themselves.  
3 Prudential denies the remaining allegations of paragraph 93 of the Complaint.

4 94. Prudential neither admits nor denies the allegations with respect to the  
5 substance of the Official Statement as those documents speak for themselves.  
6 Prudential denies the remaining allegations, including subparts, of paragraph 94 of the  
7 Complaint.  
8

9 95. Prudential neither admits nor denies the allegations with respect to the  
10 substance of the Official Statement as those documents speak for themselves.  
11 Prudential denies the remaining allegations of paragraph 95 of the Complaint.  
12

13 96. Prudential neither admits nor denies the allegations with respect to the  
14 substance of the Official Statement as those documents speak for themselves.  
15 Prudential denies the remaining allegations of paragraph 96 of the Complaint.

16 97. Prudential admits the allegations of paragraph 97 of the Complaint.

17 98. Prudential neither admits nor denies the allegations with respect to the  
18 substance of the Resolution as that Resolution speaks for itself. Prudential denies the  
19 remaining allegations of paragraph 98 of the Complaint.  
20

21 99. Prudential neither admits nor denies the allegations with respect to the  
22 substance of the Resolution as that Resolution speaks for itself. Prudential denies the  
23 remaining allegations of paragraph 99 of the Complaint.

24 100. Prudential admits the City enacted the Ordinance on January 27, 1997.  
25 Prudential neither admits nor denies the allegations with respect to the substance of  
26

1 truth of the remaining allegations in paragraph 105 of the Complaint, and therefore,  
2 denies the same.

3 106. Prudential neither admits nor denies the allegations with respect to the  
4 terms of the Garage Lease and Ground Lease as those terms speak for themselves.  
5 Prudential is without knowledge or information sufficient to form a belief as to the  
6 truth of the remaining allegations in paragraph 106 of the Complaint, and therefore,  
7 denies the same.  
8

9 107. Prudential is without knowledge or information sufficient to form a belief  
10 as to the truth of the allegations in paragraph 107 of the Complaint, and therefore,  
11 denies the same.  
12

13 108. Prudential neither admits nor denies the allegations with respect to the  
14 terms of the Garage Lease and Ground Lease as those terms speak for themselves.  
15 Prudential is without knowledge or information sufficient to form a belief as to the  
16 truth of the remaining allegations in paragraph 108 of the Complaint, and therefore,  
17 denies the same.  
18

19 109. Prudential is without knowledge or information sufficient to form a belief  
20 as to the truth of the allegations in paragraph 109 of the Complaint, and therefore,  
21 denies the same.  
22

23 110. Prudential admits that more than one person or entity purchased the  
24 Bonds. Prudential is without knowledge or information sufficient to form a belief as  
25 to the truth of the remaining allegations in paragraph 110 of the Complaint, and  
26 therefore, denies the same.

ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 17

021409.0154/828316.1

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101



111. Prudential admits the allegations of paragraph 111 of the Complaint.

112. Prudential is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 112 of the Complaint, and therefore, denies the same.

113. Prudential neither admits nor denies the allegation with respect to the substance of the opinion letters as those documents speak for themselves. Prudential denies the remaining allegations of paragraph 113 of the Complaint.

114. Prudential neither admits nor denies the allegation with respect to the substance of the opinion letters as those documents speak for themselves. Prudential denies the remaining allegations of paragraph 114 of the Complaint.

115. Prudential admits that it provided the Official Statement to prospective purchasers of the Bonds. Prudential neither admits nor denies the allegation with respect to the substance of the Official Statement as those documents speak for themselves. Prudential denies the remaining allegations of paragraph 115 of the Complaint.

116. Prudential admits the first and second sentences of paragraph 116 of the Complaint. To the extent the allegations in paragraph 116 of the Complaint call for legal conclusions, no response is required. Prudential denies the remaining allegations of paragraph 116 of the Complaint.

117. Prudential is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 117 of the Complaint, and therefore, denies the same.

1 118. Prudential is without knowledge or information sufficient to form a belief  
2 as to the truth of the allegations in paragraph 118 of the Complaint, and therefore,  
3 denies the same.

4 119. Prudential denies the allegations of paragraph 119 of the Complaint.

5 120. Prudential denies the allegations of paragraph 120 of the Complaint.

6 121. Prudential is without knowledge or information sufficient to form a belief  
7 as to the truth of the allegations in paragraph 121 of the Complaint, and therefore,  
8 denies the same.

9 122. Prudential is without knowledge or information sufficient to form a belief  
10 as to the truth of the allegations in paragraph 122 of the Complaint, and therefore,  
11 denies the same.

12 123. Prudential is without knowledge or information sufficient to form a belief  
13 as to the truth of the allegations in paragraph 123 of the Complaint, and therefore,  
14 denies the same.

15 124. Prudential neither admits nor denies the allegations with respect to the  
16 substance of the opinion letters or the Official Statement as those documents speak for  
17 themselves. Prudential denies the remaining allegations of paragraph 124 of the  
18 Complaint.

19 125. Prudential admits that the investment rating on the Bonds has been  
20 downgraded. Prudential denies the remaining allegations of paragraph 125 of the  
21 Complaint.

1 126. Prudential denies the allegations, including subparts, of paragraph 126 of  
2 the Complaint.

3 127. Prudential denies the allegations, including subparts, of paragraph 127 of  
4 the Complaint.

5 128. Prudential denies the allegations, including subparts, of paragraph 128 of  
6 the Complaint.

7 129. Prudential denies the allegations of paragraph 129 of the Complaint.

8 130. Prudential denies the allegations of paragraph 130 of the Complaint.

9 131. Prudential is without knowledge or information sufficient to form a belief  
10 as to the truth of the allegations of paragraph 131 of the Complaint, and therefore,  
11 denies the same.  
12

13 132. Prudential denies the allegations of paragraph 132 of the Complaint.

14 133. Prudential admits that the Bonds had an initial investment rating of BBB.  
15 Prudential is without knowledge or information sufficient to form a belief as to the  
16 truth of the remaining allegations of paragraph 133 of the Complaint, and therefore,  
17 denies the same.  
18

19 134. Prudential neither admits nor denies the allegations with respect to the  
20 substance of the Walker Report as that document speaks for itself. Prudential is  
21 without knowledge or information sufficient to form a belief as to the truth of the  
22 remaining allegations of paragraph 134 of the Complaint, and therefore, denies the  
23 same.  
24

25 135. Prudential denies the allegations of paragraph 135 of the Complaint.  
26

ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 20

021409.0154/828316.1

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101  
(206) 223-7000

1 136. Prudential admits that the bond proceeds were placed in escrow for the  
2 benefit of the bondholders after the bonds were issued in September 1998. Prudential  
3 is without knowledge of information sufficient to form a belief as to the truth of the  
4 remaining allegations of the first sentence of paragraph 136 of the Complaint.  
5 Prudential denies the remaining allegations of paragraph 136 of the Complaint.  
6

7 137. Prudential is without knowledge or information sufficient to form a belief  
8 as to the truth of the allegations of paragraph 137 of the Complaint, and therefore,  
9 denies the same.

10 138. Prudential admits that on or about February 1, 2000 the bonds were  
11 downgraded. Prudential neither admits nor denies the allegations with respect to the  
12 Standard & Poors Rating Report as that document speaks for itself. Prudential is  
13 without knowledge or information sufficient to form a belief as to the truth of the  
14 allegations in the first three sentences of paragraph 138 of the Complaint, and  
15 therefore, denies the same. Prudential denies the remaining allegations of  
16 paragraph 138 of the Complaint.  
17

18 139. Prudential is without knowledge of information sufficient to form a belief  
19 as to the truth of the allegations of the first sentence of paragraph 139 of the  
20 Complaint, and therefore, denies the same. Prudential admits that it contacted the  
21 plaintiffs. Prudential denies the remaining allegations of paragraph 139 of the  
22 Complaint.  
23  
24  
25  
26

1 140. Prudential is without knowledge or information sufficient to form a belief  
2 as to the truth of the allegations of paragraph 140 of the Complaint, and therefore,  
3 denies the same.

4 141. Prudential admits the allegations in paragraph 141 of the Complaint.

5 142. Prudential admits that the City Council passed a resolution at the  
6 April 26, 2000 meeting. Prudential denies the remaining allegations of paragraph 142  
7 of the Complaint.  
8

9 143. Prudential admits that it contacted the bondholders with respect to the  
10 City Council resolution. Prudential is without knowledge of information sufficient to  
11 form a belief as to the truth of the remaining allegations of paragraph 143 of the  
12 Complaint, and therefore, denies the same.  
13

14 144. Answering paragraph 144 of the Complaint, Prudential denies that it was  
15 a participant in a fraudulent scheme. Prudential is without knowledge or information  
16 sufficient to form a belief as to the truth of the remaining allegations of paragraph 144  
17 of the Complaint, and therefore, denies the same.

18 145. Prudential is without knowledge or information sufficient to form a belief  
19 as to the truth of the allegations of paragraph 145 of the Complaint, and therefore,  
20 denies the same.  
21

22 146. Prudential is without knowledge or information sufficient to form a belief  
23 as to the truth of the allegations of paragraph 146 of the Complaint, and therefore,  
24 denies the same.

25 147. Prudential denies the allegations of paragraph 147 of the Complaint.  
26

1 148. Prudential denies the allegations of paragraph 148 of the Complaint.

2 149. Prudential denies the allegations of paragraph 149 of the Complaint.

3 150. Prudential admits that the City filed a complaint in an action styled City  
4 of Spokane v. Walker Parking Consultants/Engineering Inc., et al., in the Superior  
5 Court of the State of Washington for the County of Spokane. Prudential neither  
6 admits nor denies the allegations with respect to the substance of the Complaint as that  
7 document speaks for itself. Prudential denies the remaining allegations of paragraph  
8 150 of the Complaint.

10 151. Prudential denies the allegations of paragraph 151 of the Complaint.

11 152. Prudential denies the allegations of paragraph 152 of the Complaint.

12 153. Answering paragraph 153 of the Complaint, Prudential realleges and  
13 incorporates all previous answers.

14 154. Prudential denies the allegations of paragraph 154 of the Complaint.

15 155. The allegations of paragraph 155 of the Complaint call for legal  
16 conclusions to which no response is required. To the extent any such response is  
17 required, however, Prudential is without knowledge or information sufficient to form  
18 a belief as to the truth of the remaining allegations of paragraph 155 of the Complaint,  
19 and therefore, denies the same.

20 156. The allegations of paragraph 156 of the Complaint call for legal  
21 conclusions to which no response is required. To the extent any such response is  
22 required, however, Prudential is without knowledge or information sufficient to form  
23  
24  
25  
26

1 a belief as to the truth of the remaining allegations of paragraph 156 of the Complaint,  
2 and therefore, denies the same.

3 157. Prudential is without knowledge or information sufficient to form a belief  
4 as to the truth of the allegations of paragraph 157 of the Complaint, and therefore,  
5 denies the same.

6 158. Prudential denies the allegations of paragraph 158 of the Complaint.

7 159. Prudential denies the allegations of paragraph 159 of the Complaint.

8 160. Prudential denies the allegations of paragraph 160 of the Complaint.

9 161. Prudential denies the allegations of paragraph 161 of the Complaint.

10 162. Prudential denies the allegations of paragraph 162 of the Complaint.

11 163. Answering paragraph 163 of the Complaint, Prudential realleges and  
12 incorporates all previous answers.

13 164. Paragraph 164 does not set forth any allegations requiring an admission  
14 or denial by Prudential.

15 165. Prudential denies the allegations of paragraph 165 of the Complaint.

16 166. Prudential denies the allegations of paragraph 166 of the Complaint.

17 167. The allegations of paragraph 167 of the Complaint call for legal  
18 conclusions to which no response is required. To the extent any such response is  
19 required, however, Prudential is without knowledge or information sufficient to form  
20 a belief as to the truth of the remaining allegations of paragraph 167 of the Complaint,  
21 and therefore, denies the same.  
22  
23  
24  
25  
26

1 168. The allegations of paragraph 168 of the Complaint call for legal  
2 conclusions to which no response is required. To the extent any such response is  
3 required, however, Prudential denies the allegations.

4 169. The allegations of paragraph 169 of the Complaint call for legal  
5 conclusions to which no response is required. To the extent any such response is  
6 required, however, Prudential denies the allegations.

7 170. Prudential denies the allegations of paragraph 170 of the Complaint.

8 171. Prudential admits that it served as underwriter with respect to issuing the  
9 Bonds. Prudential further admits that the Foster law firm acted as counsel for the  
10 underwriter. Prudential admits that the Preston law firm served as bond counsel and  
11 issued an opinion in connection with the Bonds. Except as expressly admitted  
12 hereinabove, Prudential denies the remaining allegations of paragraph 171 of the  
13 Complaint.  
14

15 172. Answering paragraph 172 of the Complaint, Prudential realleges and  
16 incorporates all previous answers.  
17

18 173. Paragraph 173 does not set forth any allegations requiring an admission  
19 or denial by Prudential.  
20

21 174. Prudential denies the allegations of paragraph 174 of the Complaint.

22 175. Prudential denies the allegations of paragraph 175 of the Complaint.

23 176. Prudential denies the allegations of paragraph 176 of the Complaint.

24 177. Prudential denies the allegations of paragraph 177 of the Complaint.

25 178. Prudential denies the allegations of paragraph 178 of the Complaint.  
26



1 179. Answering paragraph 179 of the Complaint, Prudential realleges and  
2 incorporates all previous answers.

3 180. Paragraph 180 does not set forth any allegations requiring an admission  
4 or denial by Prudential.

5 181. The allegations of paragraph 181 of the Complaint call for a legal  
6 conclusion to which no response is required. To the extent any such response is  
7 required, however, Prudential denies the allegations of paragraph 181 of the  
8 Complaint.  
9

10 182. Prudential denies the allegations of paragraph 182 of the Complaint.

11 183. Prudential denies the allegations of paragraph 183 of the Complaint.

12 184. Answering paragraph 184 of the Complaint, Prudential realleges and  
13 incorporates all previous answers.  
14

15 185. Paragraph 185 does not set forth any allegations requiring an admission  
16 or denial by Prudential.

17 186. The allegations of paragraph 186 of the Complaint call for a legal  
18 conclusion to which no response is required.

19 187. The allegations of paragraph 187 of the Complaint call for a legal  
20 conclusion to which no response is required.  
21

22 188. The allegations of paragraph 188 of the Complaint call for a legal  
23 conclusion to which no response is required.

24 189. Prudential denies each and every prayer in the plaintiffs' prayer for relief.  
25  
26

ANSWER OF PRUDENTIAL SECURITIES  
INCORPORATED TO U.S. BANK TRUST  
NATIONAL ASSOCIATION'S COMPLAINT - 26

021409.0154/828316.1

LANE POWELL SPEARS LUBERSKY LLP  
SUITE 4100  
1420 FIFTH AVENUE  
SEATTLE, WA 98101  
(206) 222-7000

**AFFIRMATIVE DEFENSES**

1  
2 WHEREBY, as further answer to the claims asserted by the plaintiffs'  
3 Complaint, Prudential asserts the following affirmative defenses:

4 A. The plaintiffs' Complaint fails to state a cause of action against  
5 Prudential upon which relief can be granted.

6 B. Plaintiffs are barred by the statute of limitations from asserting some or  
7 all of their allegations and causes of action.

8 C. Plaintiffs failed to mitigate their alleged damages, if any.

9 D. Plaintiffs' alleged damages, if any, were caused, or are attributable to,  
10 their acts or omissions, or the acts or omissions of persons or entities other than  
11 Prudential.

12 E. Prudential is not liable for any of the plaintiffs' alleged damages, if any,  
13 under a theory of contributory or comparative negligence.

14 F. Plaintiffs have waived their right to assert the claims and causes of action  
15 asserted in the Complaint.

16 G. Plaintiffs are estopped from asserting the claims and causes of action  
17 asserted in the Complaint.

18 H. Plaintiffs are barred by the doctrine of laches from asserting the claims  
19 and causes of action asserted in the Complaint.

20 I. Plaintiffs have "unclean hands" and are precluded from asserting the  
21 claims and causes of action asserted in the Complaint.

22 J. Plaintiffs causes of action are not "ripe" for adjudication.

23 K. Plaintiffs have failed to plead their claims with particularity as required  
24 by Fed.R.Civ.P. 9(b) or the Private Securities Litigation Reform Act.

25 L. Prudential did not know and in the exercise of reasonable care could not  
26 have known of the facts by reason of which liability is alleged to exist.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**PRAYER FOR RELIEF**

NOW, THEREFORE, having fully answered Plaintiffs' Complaint, defendant Prudential respectfully requests and prays for the following relief:

1. For dismissal of Plaintiffs' Complaint with prejudice and without costs;
2. For its damages in an amount to be shown at the time of trial;
3. For a judicial declaration of the respective rights and obligations of the of the City of Spokane under its Ordinance obligating the City to cover any shortfalls in servicing the Bonds;
4. For its attorneys' fees and costs; and
5. For such other and further relief as the Court deems just and proper.

DATED this 12th day of December 2001.

LANE POWELL SPEARS LUBERSKY LLP

By 

James L. Robart, WSBA No. 05333

Rudy A. Englund, WSBA No. 04123

Christopher B. Wells, WSBA No. 08302

Christian N. Oldham, WSBA No. 14481

Attorneys for Defendant

Prudential Securities Incorporated